Enterprise Group, Inc.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Enterprise Group, Inc.

The management of Enterprise Group, Inc. prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform in all material aspects to International Financial Reporting Standards.

Management maintains the necessary accounting and internal control systems to ensure: the timely production of reliable and accurate accounting information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, who are recommended to the Shareholders by the Audit Committee and appointed by the Shareholders, conducted an audit of these consolidated financial statements in accordance with Canadian auditing standards. The Audit Committee reviewed these financial statements with the auditors in detail before recommending their approval.

St. Albert, Alberta
March 13, 2019

(Signed) "Leonard D. Jaroszuk"
Leonard Jaroszuk, President, Chief Executive Officer

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Independent Auditor's Report

To the Shareholders of
Enterprise Group, Inc.

Opinion

We have audited the consolidated financial statements of Enterprise Group, Inc. and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Heather Murk.

Edmonton, Canada

Grant Thornton LLP

March 13, 2019

Chartered Professional Accountants

As at December 31		2018		2017
Assets				
Cash and cash equivalents (note 4)	**$**	**869,912**	$	1,291,785
Trade and other receivables (note 4)		**5,523,703**		11,493,447
Income taxes recoverable (note 10)		**-**		266,137
Unbilled revenue		**724,794**		520,344
Inventories (note 5)		**228,703**		1,289,508
Deposits and prepaid expenses		**180,413**		276,100
		7,527,525		15,137,321
Property, plant and equipment (note 6)		**48,631,116**		58,258,894
Goodwill (note 8)		**-**		2,350,529
Intangible assets (note 9)		**141,651**		2,051,813
Deferred tax assets (note 10)		**3,828,707**		3,683,773
		52,601,474		66,345,009
Total assets	**$**	**60,128,999**	$	81,482,330
Liabilities				
Trade and other payables (note 4)	**$**	**1,833,821**	$	2,527,364
Current portion of loans and borrowings (note 11)		**407,875**		398,952
		2,241,696		2,926,316
Long term portion of loans and borrowings (note 11)				
Bank loan facility		**7,186,998**		20,424,199
Finance leases		**296,244**		263,849
Mortgage		**954,834**		1,046,931
Deferred tax liabilities (note 10)		**3,828,707**		4,829,257
Total liabilities		**14,508,479**		29,490,552
Equity				
Share capital (note 12)		**79,204,845**		79,736,972
Warrants (note 13)		**-**		701,210
Contributed surplus		**7,099,031**		6,737,805
Deficit		**(40,683,356)**		(35,184,209)
Total equity		**45,620,520**		51,991,778
Total equity and liabilities	**$**	**60,128,999**	$	81,482,330

Approved on behalf of the Board:

(Signed) "Leonard D. Jaroszuk" Leonard D. Jaroszuk Director

(Signed) "John Pinsent" John Pinsent, FCPA, FCA, ICD.D. Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Loss and Comprehensive Loss

Years ended December 31,	2018	2017 (restated note 3)
Revenue	**$ 20,479,612**	$ 24,339,548
Direct expenses	**(17,591,329)**	(17,764,083)
Gross margin	**2,888,283**	6,575,465
General and administrative expenses	**(2,792,231)**	(2,559,517)
Depreciation of property, plant and equipment	**(5,277,949)**	(5,062,381)
Finance expense (note 11)	**(437,257)**	(1,234,989)
Amortization of intangible assets	**(373,391)**	(304,220)
Loss on sale of property, plant and equipment	**(227,944)**	(405,945)
Fair value adjustment on investment property (note 7)	**-**	(55,000)
Gain on foreign exchange	**2,009**	3,616
Impairment of goodwill (note 8)	**(2,350,529)**	-
Impairment of intangible assets (note 9)	**(1,536,771)**	-
Other (expense) income	**(16,473)**	236,329
Loss before income tax	**(10,122,253)**	(2,806,642)
Income tax recovery (note 10)	**1,756,084**	476,381
Net loss from continuing operations	**(8,366,169)**	(2,330,261)
Gain from discontinued operations, net of tax (note 3)	**2,553,666**	1,394,220
Net loss and comprehensive loss	**$ (5,812,503)**	$ (936,041)
Net loss per share (note 14)		
Basic and diluted loss per share	**$ (0.11)**	$ (0.02)

The accompanying notes are an integral part of these consolidated financial statements

Years ended December 31,		**2018**		2017
Cash flows from operating activities:				
Net loss	**$**	**(5,812,503)**	$	(936,041)
Adjustments for:				
Depreciation of property, plant and equipment		**5,423,158**		5,666,737
Amortization of intangible assets		**373,391**		304,220
(Gain) loss on sale of property, plant and equipment		**(6,113,611)**		401,600
Fair value adjustment on investment property		**-**		55,000
Impairment of long-lived assets		**3,887,300**		-
Deferred income tax (recovery) expense		**(1,002,084)**		572,923
Finance expense (note 11)		**547,370**		1,661,197
Change in non-cash working capital (note 16)		**6,494,378**		(2,247,512)
Net cash provided by operating activities		**3,797,399**		5,478,124
Cash flows from financing activities:				
Net repayment of bank loan facility		**(13,309,633)**		(904,642)
Interest and borrowing costs paid on loans and borrowings		**(1,006,192)**		(1,546,806)
Repayment of term loan		**-**		(23,340)
Repayment of finance lease liabilities		**(496,140)**		(1,157,346)
Repayment of mortgage facility		**(88,418)**		(84,861)
Share buyback and cancellation		**(170,901)**		(42,550)
Net cash used by financing activities		**(15,071,284)**		(3,759,545)
Cash flows from investing activities:				
Purchase of property, plant and equipment		**(7,080,638)**		(2,053,310)
Proceeds on sale of property, plant and equipment		**17,932,650**		1,058,668
Purchase of intangible assets		**-**		(123,870)
Net cash provided (used) by investing activities		**10,852,012**		(1,118,512)
Change in cash and cash equivalents		**(421,873)**		600,067
Cash and cash equivalents, beginning of year		**1,291,785**		691,718
Cash and cash equivalents, end of year	**$**	**869,912**	$	1,291,785

Net cashflows attributed to discontinued operations (note 3)

The accompanying notes are an integral part of these consolidated financial statements

	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance as at December 31, 2016	55,652,374	$79,930,146	$1,448,381	$6,815,970	$(35,224,128)	$52,970,369
Agent warrants expired	-	-	(975,960)	-	975,960	-
Common shares repurchased and cancelled	(134,500)	(193,174)	-	150,624	-	(42,550)
Extension of private placement warrants	-	-	228,789	(228,789)	-	-
Net loss	-	-	-	-	(936,041)	(936,041)
Balance as at December 31, 2017	55,517,874	$79,736,972	$ 701,210	$6,737,805	$(35,184,209)	$51,991,778
Adjustment from the adoption of IFRS 9 at January 1, 2018, net of tax of $143,400 (note 2)	-	$ -	$ -	$ -	$ (387,854)	$ (387,854)
Adjusted balance as at January 1, 2018	**55,517,874**	**79,736,972**	**701,210**	**6,737,805**	**(35,572,063)**	**51,603,924**
Common shares repurchased and cancelled (note 12)	(370,500)	(532,127)	-	361,226	-	(170,901)
Warrants expired (note 13)	-	-	(701,210)	-	701,210	-
Net loss	-	-	-	-	(5,812,503)	(5,812,503)
Balance as at December 31, 2018	**55,147,374**	**$79,204,845**	**$ -**	**$7,099,031**	**$(40,683,356)**	**$45,620,520**

The accompanying notes are an integral part of these consolidated financial statements

1. Reporting entity

Enterprise Group, Inc. ("Enterprise" or the "Company") is a public company incorporated under the Alberta Business Corporations Act and its shares are listed on the Toronto Stock Exchange under the symbol "E". Enterprise is a consolidator of businesses providing services to the utility, energy and construction industries. The Company has a fleet of trucks and heavy equipment to provide rental services for heavy equipment, flameless heating units and oilfield site service infrastructure throughout Western Canada. Enterprise's head office is located at #2, 64 Riel Drive, St. Albert, Alberta, T8N 4A4.

The financial statements of the Company as at December 31, 2018, and December 31, 2017, are comprised of the Company and its wholly owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2019.

2. Significant accounting policies

Statement of compliance

The Company prepares its financial statements in accordance with *International Financial Reporting Standards (IFRS)* as issued by the *International Accounting Standards Board (IASB)*.

Basis of presentation

The financial statements have been prepared on the historical cost basis.

Basis of consolidation

Included in these consolidated financial statements are the financial statements of Enterprise Group, Inc. and its wholly-owned subsidiaries: E One Limited, 1943749 AB Ltd. (formerly T.C. Backhoe & Directional Drilling Ltd.), Artic Therm International Ltd., Calgary Tunnelling & Horizontal Augering Ltd., 1940682 AB Ltd. (formerly Enterprise Trenchless Crossings Ltd.), Hart Oilfield Rentals Ltd., and Westar Oilfield Rentals, Inc. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have the same reporting periods as the Company. All significant inter-entity balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in full.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses from the settlement of such transactions at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss and comprehensive loss.

New accounting standards

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2018. Information on these standards is presented below:

IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new guidance makes significant changes to the previous guidance on the classification and measurement of financial assets as well as introducing an expected credit loss model for the impairment of financial assets. The Company has applied the new guidance retrospectively and without restatement upon initial application. Any impact of the transition is required to be recognized through an adjustment to the opening deficit balance at January 1, 2018. The summary of the impact of the adoption of IFRS 9 is as follows:

Financial Assets	Closing balance December 31, 2017	Impact of IFRS 9	Opening balance January 1, 2018
Cash	$ 1,291,785	$ -	$ 1,291,785
Trade and other receivables	11,493,447	-	11,493,447
Deposits and prepaid expenses	276,100	-	276,100
Deferred tax assets	3,683,773	-	3,683,773
	$16,745,105	**$ -**	**$16,745,105**

Financial Liabilities	**Closing balance December 31, 2017**	**Impact of IFRS 9**	**Opening balance January 1, 2018**
Trade and other payables	$ 2,527,364	$ -	$ 2,527,364
Bank loan facility	20,424,199	531,254	20,955,453
Finance leases	574,383	-	574,383
Mortgage	1,135,349	-	1,135,349
Deferred tax liabilities	4,829,257	(143,400)	4,685,857
	$29,490,552	**$ 387,854**	**$29,878,406**

Each of the items listed in the table above are measured at amortized cost under IAS 39 and moving forward under IFRS 9.

IFRS 9 resulted in a change in the accounting for modifications of financial liabilities that do not result in de-recognition. The adoption impacted the amortized cost of the bank loan facility as at January 1, 2018 due to past contract amendments to the bank loan facility. On August 11, 2016, the facility had a significant amendment to future cash flows in which the interest rate was amended to prime plus 3.0% from prime plus 2.0%. The Company calculated the present value of future cash flows which resulted in an initial increase to the debt balance of $531,254 and decrease to the deferred tax liability of 143,400 ($387,854 to opening deficit after tax effects) as at January 1, 2018. The adjustment will be amortized over the remaining term of the bank loan facility, decreasing the loan balance and interest expense.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 ‘Revenue from Contracts with Customers’ replaces IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and other revenue related standards. The Company has been applied the new guidance retrospectively, without restatement, and any impact of the transition is required to be recognized through an adjustment to the opening deficit balance at January 1, 2018.

Revenue recognition is achieved over time as performance obligations are delivered. The Company's services are based upon orders that include fixed or determinable prices based upon daily, monthly or contracted rates and generally do not contain post-service obligations. Performance obligations are satisfied on a daily basis at the applicable rate per the contract.

The new policy had no impact on the opening deficit on January 1, 2018, or the results of operations for the current period ended December 31, 2018.

Critical accounting judgements in applying accounting policies

The following are significant management judgements, apart from those involving estimation uncertainty, in applying the accounting policies of the Company that have the most significant effect on the financial statements:

i. Leases

Management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

Management uses judgement in determining whether modifications to a lease impacts its classification as a finance lease, and impacts the original financial liability. The specific details of the changes will determine if they should be recognized immediately in the statement of loss and comprehensive loss or as part of the leased assets.

ii. Deferred taxes

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on the Company’s forecasted budget. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, then the asset is recognized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by management based on specific circumstances.

Estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

i. Share-based payments
The Company estimates the fair value of stock option awards and warrants using the Black-Scholes Option Pricing Model. Certain key assumptions used in the model include the expected interest rate, expected volatility, forfeitures, dividend yield and expected term.

ii. Property, plant and equipment and intangible assets
The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors.

iii. Investment property
The determination of the fair value of the investment property requires the use of estimates based on local market conditions existing at the reporting date. In arriving at estimates of market values, the Company uses an expert in order to apply market knowledge and professional judgement.

iv. Business combinations
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company may rely on independent third party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

v. Impairments
An asset or cash generating unit ("CGU") is impaired when its carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, which incorporates the Company's budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, cash expenditures, the amount of property, plant and equipment required to achieve the cashflow projections, other future estimates of capital expenditures and changes in future working capital requirements.

vi. Impairment of financial assets
At the end of each reporting period, management monitors the expected credit loss against the net financial assets carried on the statement of financial position to assess credit risk and expected credit losses. Past events, current conditions and reasonable supportable forecasts are considered to identify and determine the extent of impairment, if any.

vii. Income tax
The Company follows the asset/liability method for calculating deferred taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

i. Financial assets
A financial asset is recognized when the Company has the contractual right to collect future cash flows. The Company's financial assets include cash and cash equivalents, trade and other receivables, and deposits. The contractual terms of these noted instruments result in cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are initially recognized at fair value adjusted for applicable transactions costs. Any income or expenses related to financial assets, including impairment of trade receivables, is recognized in other income (expenses) through profit and loss.

Financial assets are subsequently measured at amortized cost using the effective interest method. Financial assets are derecognized when the contractual right to hold and collect future cash flows expires or substantially all risks and rewards have been transferred. Discounting of the future cash flows will be included if the impact is material.

ii. Financial liabilities
A financial liability is recognized when the Company has the contractual obligation to pay future cash flows. The Company's financial liabilities include loans and borrowings and trade and other payables.

Financial liabilities are initially recognized at fair value adjusted for applicable transactions costs. Interest-related charges and changes in an instrument's fair value due to contract modifications are reported through profit or loss.

The financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contracted consideration and risks have been transferred, or if the future obligation expires, is extinguished, or is cancelled.

In the event of a modification that does not result in derecognition, a modification adjustment is recognized through profit or loss. The adjustment is calculated as the change between the original contractual cash flows and the present value of the modified cash flows at the original contracted effective interest rate. Management will monitor debt instruments for significant events that affect future cash flows. Events that could lead to a modification may include amendments, large debt repayments, or large draws on a debt instrument.

Financial instruments are classified into one of the following levels of fair value hierarchy:

Level 1 - Fair value measurements based on unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - Fair value measurements derived from valuation techniques that include unobservable inputs.

For the comparative year prior to adoption of IFRS 9, financial instruments were classified as follows:

i. Loans and receivables
The Company's cash and cash equivalents, trade and other receivables, and deposits are classified as loans and receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

ii. Other financial liabilities
The Company's loans and borrowings and trade and other payables are classified as other financial liabilities. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Impairment

Financial assets

The Company holds financial assets to hold and collect the associated cash flows. The Company uses the simplified approach for trade and other receivables and records the loss allowance as lifetime expected credit losses. Historical bad debt experience, current conditions, and supportable forecasts are used to assess credit risk and measure expected credit losses over the life of the instrument. At each reporting period, the current credit loss recorded on the financial statements is assessed against the expected credit loss model to determine the impairment adjustment required. The Company assesses impairment of trade receivables on a collective basis as these possess shared credit risk characteristics and have been grouped based on days past due.

In the comparative year prior to the adoption of IFRS 9, the Company used an incurred loss model for impairment. Financial assets were assessed at each reporting date to determine whether there was objective evidence of impairment. A financial asset was impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency of payments;
- it is probable that the borrower will enter bankruptcy or financial re-organization; or
- significant or prolonged decline in the market value of investments below its cost.

For certain categories of financial assets, such as accounts receivable, the Company assessed for evidence of impairment at the specific asset level.

An impairment loss in respect of a financial asset measured at amortized cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss was reversed through profit or loss or credited against the allowance account.

Non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

For the purposes of assessing impairment, assets are grouped into CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. CGUs are the smallest identifiable group of assets that generate cash flows that are independent of the cash flows of other groups of assets. The determination of CGUs was based on management's judgments in regard to the geographic location of operating divisions, product groups and shared infrastructure.

Cash and cash equivalents

Cash and cash equivalents include balances with Canadian Chartered Banks and short-term investments with original maturities of three months or less.

Inventories

Inventories of parts and supplies are measured at the lower of cost and net realizable value. The cost of inventories is measured on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost consists of the purchase price, plus costs directly attributable to putting the asset in use and where applicable, an estimate of the costs of removing the item and site restoration.

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is not calculated for assets under construction until work is completed and the assets are available for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	- 25 years
Small equipment	- 5 years
Light automotive equipment	- 5 years
Computers and communication equipment	- 4 years
Heavy automotive, construction, and portable rental equipment	- 7 - 10 years
Leasehold improvements	- Straight-line over term

The useful lives, depreciation methods and residual values are reviewed at each reporting date for consistency with the expected pattern of economic benefits from the assets.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating and payments are recognized as an expense on a straight-line basis over the lease term.

Investment property

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Related fair value gains and losses arising from changes in the fair values are recorded in the statements of loss and comprehensive loss in the period in which they arise. The fair value is determined by a formal independent appraisal completed at least once per year.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at the acquisition date in addition to the fair value of any non-controlling interest in the acquired entity. All acquisition costs are expensed as incurred. Any contingent consideration expected to be paid will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured; other contingent consideration is remeasured at fair value with changes in fair value recognized in profit or loss. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Company’s net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain for the period. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assigned to the Company’s CGU's that are expected to benefit from the combination, irrespective of whether the assets and liabilities of the acquired are assigned to that (those) CGU(s). If a business unit is disposed of, goodwill disposed of is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is tested for impairment annually or more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Customer relationships are recorded at cost and amortized on a straight line basis over their estimated life of ten years. Patents are recorded at cost and amortized on a straight line basis, from the date of issuance, over their estimated life of seven years. Software is recorded at cost and amortized on a straight line basis over their estimated life of three years.

Discontinued operations and assets held for sale

Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for disposal or has been disposed of, if the component either (1) represents a separate major line of business or geographical area of operations or (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (3) is a subsidiary acquired exclusively with a view to resale. In the Consolidated Statements of Loss and Comprehensive Loss, gain from discontinued operations is reported separately from income and expenses from continuing operations; prior periods are presented on a comparable basis.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or through distribution to shareholders rather than through continuing use. For this to be the case, the asset must be available for immediate sale or distribution in its present condition subject only to terms that are usual and customary for sales or distributions of such assets and its sale or distribution must be highly probable. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

When a non-current asset no longer meets the criteria to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount.

Share-based payments

The fair value of stock options and warrants are measured at the grant date using the Black-Scholes Option Pricing Model, and recognized over the vesting period. The fair value is included in the statement of loss and comprehensive loss, with a corresponding increase in contributed surplus. A forfeiture rate is estimated and is adjusted to reflect the actual number of options and warrants that vest. Consideration received on the exercise of stock options and warrants is credited to share capital and previously recorded compensation expense is transferred from contributed surplus to share capital to fully reflect the value of shares issued.

Revenue recognition

Revenue is measured based on the consideration received from a contract with a customer. Revenue from rental contracts is recognized over time when the performance obligations in the contract have been transferred to the customer and collectability is reasonably assured. Revenue from rental contracts is measured at fair value net of trade discounts. The unbilled portion for work completed at the end of a reporting period are recorded as unbilled revenues using the pre-determined price or rate for that service.

For the comparative year prior to the adoption of IFRS 15, the Company recognized revenue when it could be reliably measured, and it was probable that future economic benefits will flow to the Company and rental services were provided.

Finance income and expense

Finance income is earned at the effective interest rate. Finance expense includes interest, loan transaction costs, and adjustments on loan modifications.

Income tax

Income tax expense is comprised of current and deferred taxes. Current and deferred tax is recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes for the current period, including any adjustments to the tax payable in respect of previous years, are recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the tax rates that are expected to apply in the period in which the deferred tax asset or liability is expected to settle, based on the laws that have been enacted or substantively enacted by the reporting date. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced accordingly to the extent that it is no longer probable that they can be utilized.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees, share purchase warrants and convertible debentures.

Accounting standards issued but not yet applied

Unless otherwise noted, the following revised standard and amendment is effective as noted below, with earlier application permitted.

The following is a brief summary of the new standard:

IFRS 16 - Leases

In January 2016, the IASB issued a new standard on leases. IFRS 16 - Leases will require lessees to recognize assets and liabilities for most leases under a single accounting model for which all leases will be accounted for, with certain exemptions. For lessors, IFRS 16 is expected to have little change from existing accounting standards (IAS 17 - Leases). IFRS 16 will be effective for annual periods beginning on or after January 1, 2019.

The Company will transition to the new guidance using the modified retrospective approach. As a result any adjustments to the financial statements for prior periods will be recognized through opening retained deficit on January 1, 2019. No changes will be made to the comparative year. The impact to the financial statements is expected to be material upon adoption. The Company is expecting an impact to the financial statements resulting in recognition of right of use assets and lease liabilities as there are material commitments related to operating leases under IAS 17.

3. Discontinued operations

On March 22, 2018, Enterprise Group, Inc., closed a transaction to divest substantially all of the assets of Calgary Tunnel & Horizontal Augering Ltd. (CTHA). Gross proceeds, including working capital, from the transaction was $20,194,992. Working capital is being paid out over time with the final payment due on April 15, 2019. The remaining net working capital receivable included in trade and other receivables at December 31, 2018, is $1,666,182. On January 14, 2019, the Company received a net working capital payment in the amount of $283,189. All proceeds from the transaction will be deployed against the Company's debt.

On July 7, 2016, Enterprise Group, Inc., closed a transaction to divest substantially all of the assets of T.C. Backhoe & Directional Drilling Ltd. (TCB). Gross cash proceeds from the transaction was $16,890,400 plus $2,951,798 of working capital for a total of $19,842,198. Working capital was paid out over time with the final payment of a $650,000 holdback amount plus net working capital adjustment of $209,993 being received on July 14, 2017. The entire amount was applied against the debt of the Company. There are no other amounts outstanding as of December 31, 2017.

Income from discontinued operations, including the prior period figures, are presented as a single amount in the consolidated statements of loss and comprehensive loss and excludes all intercompany transactions. This amount comprises the post-tax income of the discontinued operations and the post-tax gain (loss) resulting from the measurement and disposal of the assets.

For the years ended December 31	**T.C. Backhoe & Directional Drilling 2018**	**CTHA 2018**	**Total 2018**	T.C. Backhoe & Directional Drilling 2017	CTHA 2017	Total 2017
Revenue	**$ -**	**$ 1,320,262**	**$ 1,320,262**	$ -	$ 13,332,676	$ 13,332,676
Direct expenses	**-**	**(1,609,396)**	**(1,609,396)**	-	(10,388,702)	(10,388,702)
Gross margin	**-**	**(289,134)**	**(289,134)**	-	2,943,974	2,943,974
Depreciation of property, plant and equipment	**-**	**(145,209)**	**(145,209)**	-	(604,356)	(604,356)
Finance expense	**-**	**(110,113)**	**(110,113)**	-	(426,208)	(426,208)
Other expense	**-**	**(53,876)**	**(53,876)**	-	(159,882)	(159,882)
(Loss) income before income tax	**-**	**(598,332)**	**(598,332)**	-	1,753,528	1,753,528
Income tax recovery (expense)	**-**	**299,472**	**299,472**	-	(316,392)	(316,392)
(Loss) income from operations	**-**	**(298,860)**	**(298,860)**	-	1,437,136	1,437,136
Gain (loss) on sale of assets	**-**	**3,906,537**	**3,906,537**	(61,449)	4,344	(57,105)
Deferred tax (expense) recovery on sale of assets	**-**	**(1,054,011)**	**(1,054,011)**	15,362	(1,173)	14,189
Gain (loss) on sale of assets, net of tax	**-**	**2,852,526**	**2,852,526**	(46,087)	3,171	(42,916)
Income (loss) from discontinued operations	**$ -**	**$ 2,553,666**	**$ 2,553,666**	$ (46,087)	$ 1,440,307	$ 1,394,220

Cash flows from discontinued operations are as follows:

For the years ended December 31	**T.C. Backhoe & Directional Drilling 2018**	**CTHA 2018**	**Total 2018**	T.C. Backhoe & Directional Drilling 2017	CTHA 2017	Total 2017
Operating	**$ -**	**$ 1,263,345**	**$ 1,263,345**	$ (46,087)	$ 248,060	$ 201,973
Financing	**$ -**	**$ (15,857)**	**$ (15,857)**	$ -	$ (94,261)	$ (94,261)
Investing	**$ -**	**$ 16,799,995**	**$ 16,799,995**	$ -	$ (362,946)	$ (362,946)

4. Financial instruments and risk management

(a) Fair value of financial instruments

The carrying value of trade and other receivables, deposits and trade and other payables approximate fair value because of the near term to maturity of these instruments. The fair value of loans and borrowings is a level 2 measurement and are based on discounted future cash flows using the rates that reflect observable current market rates for similar instruments with similar terms and conditions. The estimated fair value approximates the carrying value at December 31, 2018.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

		2018		2017
Financial assets				
Cash and cash equivalents	**$**	**869,912**	$	1,291,785
Trade and other receivables	**$**	**5,523,703**	$	11,493,447
Deposits	**$**	**82,879**	$	102,623
Financial liabilities				
Trade and other payables	**$**	**1,833,821**	$	2,527,364
Loans and borrowings	**$**	**8,845,951**	$	22,133,931

Financial risk management

The Company's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Board of Directors oversees management's establishment and execution of the Company's risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk through cash and cash equivalents and trade and other receivables. The Company manages the credit risk associated with its cash and cash equivalents by holding its funds in financial institutions with high credit ratings. Credit risk for trade and other receivables are managed through established credit monitoring activities.

The Company has trade receivables from customers in the oil and gas industry, as well as customers in the utilities/infrastructure construction industry. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. The Company monitors trade receivables against an expected credit loss model to assess reasonability of impairment over accounts receivable. Individual invoices within trade receivables are written off when there is no reasonable expectation of collecting payment. Losses from trade accounts receivable have not historically been significant. The Company has recorded a provision for doubtful accounts at December 31, 2018, of $24,245 (December 31, 2017 - $172,000).

At December 31, 2018, $2,438,000 or 56% of trade receivables was from four customers compared to $1,804,000 or 19% from two customers as at December 31, 2017.

		2018		2017
Current (less than 90 days)	**$**	**5,069,720**	$	10,946,163
Past due (more than 90 days)		**453,983**		547,284
Total	**$**	**5,523,703**	$	11,493,447

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. On an ongoing basis the Company manages liquidity risk by maintaining adequate cash and cash equivalents balances and appropriately utilizing available lines of credit. Management believes that forecasted cash flows from operating activities, along with available lines of credit, will provide sufficient cash requirements to cover the Company's forecasted normal operating activities, commitments and capital expenditures. For the the year ended December 31, 2018, the Company generated 25% of revenue from one customer (2017 - 25% from one customer). No other customers comprise more than 10% of revenues.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest at December 31, 2018, and December 31, 2017:

December 31, 2018	**Carrying amount**	**Contractual cash flows**	**Due within one year**	**Two-five years**	**More than five years**
Trade and other payables	$ 1,833,821	$ 1,833,821	$ 1,833,821	$ -	$ -
Loans and borrowings	8,845,951	9,961,881	966,666	8,396,068	599,147
Operating lease commitments	-	1,324,542	750,804	572,631	1,107
	$ 10,679,772	**$ 13,120,244**	**$ 3,551,291**	**$ 8,968,699**	**$ 600,254**

December 31, 2017	Carrying amount	Contractual cash flows	Due within one year	Two-five years	More than five years
Trade and other payables	$ 2,527,364	$ 2,527,364	$ 2,527,364	$ -	$ -
Loans and borrowings	22,133,931	26,136,904	1,747,921	23,656,692	732,291
Operating lease commitments	-	1,437,579	725,315	712,264	-
	$ 24,661,295	$ 30,101,847	$ 5,000,600	$ 24,368,956	$ 732,291

At December 31, 2018, $759,147 in operating lease payments were expensed during the period (2017 - $1,154,711).

(d) Market risk

Market risk is the risk of changes in market prices, such as interest rates, which will affect the Company's income or the value of its financial instruments. Management has assessed the effect of a 1% interest rate increase or decrease in the prime lending rate at December 31, 2018, to impact the Company's annual interest expense by approximately $84,000 (December 31, 2017 - $218,000). The Company has not entered into any derivative agreements to mitigate this risk.

Capital management

The primary objective of capital management is to ensure the Company has sufficient capital to support its business and maximize shareholder value. The Company manages its capital in proportion to the risk of the underlying assets and makes adjustments in light of changes in economic conditions and risks. The Company's strategy remains unchanged from prior periods. Management considers its capital structure to include funded debt and adjusted capital of the Company. Adjusted capital comprises all components of equity (share capital, contributed surplus, warrants and deficit). Included in funded debt is the bank loan facility which requires the Company to maintain certain financial covenants as defined below. The Company's objectives when managing capital are to finance its operations and growth strategies and to provide an adequate return to its shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt. As at December 31, 2018, the Company has met these objectives.

	2018	2017
Bank loan	**$ 7,186,998**	$ 20,424,199
Current portion of long term debt	**407,875**	398,952
Long term debt	**1,251,078**	1,310,780
Net funded debt	**8,845,951**	22,133,931
Shareholders' equity	**45,620,520**	51,991,778
Total capital	**$ 54,466,471**	$ 74,125,709

Included in net funded debt is the bank loan facility which requires the Company to maintain certain financial covenants.

"Fixed Charge Coverage Ratio" - EBITDA less unfinanced capital expenditures, less taxes paid divided by fixed charges.

"Senior Leverage Ratio" - the result of the amount of Senior Funded Debt of the Company and its subsidiaries on a consolidated basis, to the trailing twelve month EBITDA for the 12 month period ended as of such date.

"EBITDA" - earnings before finance expense, taxes, depreciation and amortization, loss (gain) on disposal of property, plant and equipment, fair value adjustments, impairment losses and share-based payments.

The Company's covenants are as follows:

	December 31, 2018	**Required**	December 31, 2017	Required
Fixed charge coverage ratio	**N/A**	N/A	2.49	> 1.25
Senior leverage ratio	**N/A**	N/A	3.23	< 6.25
EBITDA	**$742,581**	>$569,080	N/A	N/A
Net capital expenditure (recovery)	**$(10,318,232)**	< $1,125,000	$1,022,057	< $1,125,000

The minimum covenants are noted in the table above. The Company monitors these requirements on an ongoing basis and reports on its compliance to its lender on a monthly basis. As at December 31, 2018, the Company is in compliance with all covenants.

Effective December 28, 2018, the Company amended the terms of the covenants to its bank loan facility. The covenants on the loan were amended to remove a fixed charge coverage ratio and senior leverage ratio requirements in favour of a minimum EBITDA for specified periods. For the fiscal quarter ending December 31, 2018, the minimum EBITDA required is $569,080. For the fiscal quarter ending March 31, 2019, the minimum EBITDA required is $1,206,507. All other terms and conditions of the facility remain unchanged.

Effective June 30, 2017, the Company amended the terms of the covenants to its bank loan facility. Beginning June 30, 2017, the amortization rate applied to capital assets for the purposes of covenant calculations was increased from 36 months to 60 months. All other terms and conditions of the facility remain unchanged.

Further discussion on the Company's covenants are included in Note 11(a).

Fair value determination

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5. Inventories

Years ended December 31,	**2018**	2017
Inventory, parts and supplies	**$ 228,703**	$ 1,289,508

Inventory, parts and supplies expensed in direct expenses during the year ended December 31, 2018, was $773,720 (2017 - $691,407).

6. Property, plant and equipment

Cost or deemed cost	Balance at December 31, 2017	Additions	Disposals	Reclassified	Divestiture (note 3)	Balance at December 31, 2018
Land	$ 3,725,000	$ 559,210	$ -	$ -	$ -	**$ 4,284,210**
Buildings	422,131	-	(3,138)	-	(131,000)	**287,993**
Leasehold improvements	770,647	5,089	(474,451)	-	(59,396)	**241,889**
Computers and communication equipment	429,183	4,001	(7,804)	-	(42,666)	**382,714**
Small equipment	2,411,245	22,902	-	-	(581,192)	**1,852,955**
Light automotive equipment	2,887,722	533,779	(11,863)	-	(481,746)	**2,927,892**
Heavy automotive, construction and portable rental equipment	73,496,842	6,174,158	(1,943,919)	1,942	(12,706,659)	**65,022,364**
Property, plant and equipment under construction	1,113,177	315,279	(104,782)	(1,942)	(450,398)	**871,334**
	$ 85,255,947	**$ 7,614,418**	**$ (2,545,957)**	**$ -**	**$ (14,453,057)**	**$ 75,871,351**

	Accumulated depreciation					Carrying amounts	
	Balance at December 31, 2017	Depreciation for the year	Disposals	Divestiture (note 3)	Balance at December 31, 2018	Balance at December 31, 2017	Balance at December 31, 2018
Land	$ -	$ -	$ -	$ -	**$ -**	$ 3,725,000	**$ 4,284,210**
Buildings	28,583	9,158	(141)	(6,222)	**31,378**	393,548	**256,615**
Leasehold improvements	585,842	94,996	(453,989)	(44,095)	**182,754**	184,805	**59,135**
Computers and communication equipment	357,579	47,977	(6,248)	(35,146)	**364,162**	71,604	**18,552**
Small equipment	1,829,669	167,414	-	(311,691)	**1,685,392**	581,576	**167,563**
Light automotive equipment	1,778,386	424,597	(9,490)	(316,848)	**1,876,645**	1,109,336	**1,051,247**
Heavy automotive, construction and portable rental equipment	22,416,994	4,679,016	(767,674)	(3,228,432)	**23,099,904**	51,079,848	**41,922,460**
Property, plant and equipment under construction	-	-	-	-	**-**	1,113,177	**871,334**
	$ 26,997,053	**$ 5,423,158**	**$ (1,237,542)**	**$ (3,942,434)**	**$ 27,240,235**	**$ 58,258,894**	**$ 48,631,116**

Cost or deemed cost	Balance at December 31, 2016	Additions	Disposals	Reclassified (note 7)	Balance at December 31, 2017
Land	$ -	$ -	$ -	3,725,000	$ 3,725,000
Buildings	459,663	-	(37,532)	-	422,131
Leasehold improvements	752,107	18,540	-	-	770,647
Computers and communication equipment	427,052	2,131	-	-	429,183
Small equipment	2,338,776	72,469	-	-	2,411,245
Light automotive equipment	3,424,219	2,499	(538,996)	-	2,887,722
Heavy automotive, construction and portable rental equipment	73,448,856	1,966,716	(1,922,917)	4,187	73,496,842
Property, plant and equipment under construction	1,229,579	18,371	(32,742)	(102,031)	1,113,177
Less assets held for sale	(5,025,444)	-	-	5,025,444	-
	$ 77,054,808	$ 2,080,726	$ (2,532,187)	$ 8,652,600	$ 85,255,947

	Accumulated depreciation					Carrying amounts	
	Balance at December 31, 2016	Depreciation for the year	Reclassified	Disposals	Balance at December 31, 2017	Balance at December 31, 2016	Balance at December 31, 2017
Land	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,725,000
Buildings	19,443	10,381	-	(1,241)	28,583	440,220	393,548
Leasehold improvements	448,586	137,016	-	240	585,842	303,521	184,805
Computers and communication equipment	273,902	73,447	10,230	-	357,579	153,150	71,604
Small equipment	1,488,027	341,642	-	-	1,829,669	850,749	581,576
Light automotive equipment	1,649,818	465,829	-	(337,261)	1,778,386	1,774,401	1,109,336
Heavy automotive, construction and portable rental equipment	18,522,459	4,638,422	(10,230)	(733,657)	22,416,994	54,926,397	51,079,848
Property, plant and equipment under construction	-	-	-	-	-	1,449,297	1,113,177
Less assets held for sale	(795,874)	-	795,874	-	-	-	-
	$ 21,606,361	$ 5,666,737	$ 795,874	$ (1,071,919)	$ 26,997,053	$ 59,897,735	$ 58,258,894

Included in the carrying amount of $48,631,116 is $863,605 (2017 - $1,112,806) of heavy automotive, construction and portable rental equipment under construction and $7,729 (2017 - $371) of computers and equipment, which is not being depreciated as they are not yet available for use. The $315,279 (2017- $18,371) included in property, plant, and equipment under construction is the net additions for assets in build in 2018. The total cash outflows for assets in build was $1,129,002 (2017 - $738,728) where the equipment was started and completed in 2018. This is offset by $813,723 (2017 - $596,487) in assets disclosed as additions under heavy automotive, construction and portable rental equipment.

7. Investment property

In December 2017, the Company reclassified the investment property to "Land" in property, plant, and equipment as the property will be used in the on going operations of the Company. The land was reclassified at fair value at the date of change in use of $3,725,000.

On September 30, 2017, the Company obtained an independent appraisal of the investment property. The appraisal valued the investment property at $3,725,000 (2016 - $3,780,000) and as such the carrying value was decreased to agree to the valuation as reported. The Company classified this asset as level 3 on the fair value hierarchy. An independent appraisal was not obtained at December 31, 2018 due to the reclassification of the investment property as 'Land' in property, plant, and equipment.

The September 30, 2017, appraisal was carried out using the Direct Comparison Approach which involves comparing similar properties that have sold or are listed for sale, often on a unit basis, applying adjustments for differences between the properties. The significant unobservable input is the adjustment for factors specific to the property. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for the valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

8. Goodwill

Carrying amount of goodwill allocated to each CGU	December 31, 2017	Impairment	December 31, 2018
Artic Therm International Ltd.	$ 552,529	$ (552,529)	$ -
Westar Oilfield Rentals Inc.	1,798,000	(1,798,000)	-
	$ 2,350,529	$ (2,350,529)	$ -

At December 31, 2018, the Company performed its annual goodwill impairment test in accordance with its policy as described in note 2. Based on the results of the test, the Company concluded that the recoverable amount of its CGUs were less than their carrying amount which indicated goodwill was impaired. As a result of the severe decline in activity within the energy industry, triggered by the reduction in oil prices, pricing reductions for the Company's services and numerous project delays due to economic uncertainty in Western Canada, the Company has recognized an impairment of $2,350,529 (2017 - $nil). In 2017, the Company concluded that the recoverable amount of its CGUs were greater than their carrying values which indicated that goodwill was not impaired.

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside management’s control and involve inherent uncertainty. Therefore, actual results could differ from those estimated. In performing the goodwill impairment test, the Company compares the recoverable amount of its CGUs to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimated the recoverable amount by using the value-in-use approach. It estimated fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach used a CGU’s projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. The Company used cash flow projections from financial forecasts covering a five-year period. For its December 31, 2018 impairment test, the Company discounted its CGUs' cash flows using after-tax discount rates. The implied pre-tax discount rates are as follows: Artic Therm International Ltd. 40.6% (2017 - 35.4%); Hart Oilfield Rentals Ltd. 37.3% (2017 - 33.1%); and Westar Oilfield Rentals Inc. 35.5% (2017 - 29.6%). To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company’s consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations.

9. Intangible assets

Cost or deemed cost	Balance at December 31, 2017	Additions	Impairment	Divestiture (note 3)	Balance at December 31, 2018
Patent	$ 336,787	$ -	$ (336,787)	$ -	$ -
Software	221,715	-	-	-	**221,715**
Customer relationships	3,327,638	-	(2,666,638)	(661,000)	-
	$ 3,886,140	**$ -**	**$ (3,003,425)**	**$ (661,000)**	**$ 221,715**

	Accumulated amortization					Carrying amounts	
Amortization	Balance at December 31, 2017	Amortization for the year	Impairment	Divestiture (note 3)	Balance at December 31, 2018	Balance at December 31, 2017	Balance at December 31, 2018
Patent	$ 230,943	$ 32,823	$ (263,766)	$ -	$ -	$ 105,844	**$ -**
Software	6,160	73,904	-	-	80,064	215,555	**141,651**
Customer relationships	1,597,224	266,664	(1,202,889)	(661,000)	-	1,730,414	**-**
	$ 1,834,327	**$ 373,391**	**$(1,466,655)**	**$ (661,000)**	**$ 80,064**	**$ 2,051,813**	**$ 141,651**

Cost or deemed cost	Balance at December 31, 2016	Additions	Impairment	Reclasses	Balance at December 31, 2017
Patent	$ 336,787	$ -	$ -	$ -	$ 336,787
Software	-	123,870	-	97,845	221,715
Customer relationships	3,327,638	-	-	-	3,327,638
	$ 3,664,425	**$ 123,870**	**-**	**$ 97,845**	**$ 3,886,140**

	Accumulated amortization					Carrying amounts	
Amortization	Balance at December 31, 2016	Amortization for the year	Impairment	Disposal (note 3)	Balance at December 31, 2017	Balance at December 31, 2016	Balance at December 31, 2017
Patent	$ 199,547	$ 31,396	$ -	$ -	$ 230,943	$ 137,240	**$ 105,844**
Software	-	6,160	-	-	6,160	-	**215,555**
Customer relationships	1,330,560	266,664	-	-	1,597,224	1,997,078	**1,730,414**
	$ 1,530,107	**$ 304,220**	**-**	**$ -**	**$ 1,834,327**	**$ 2,134,318**	**$ 2,051,813**

At December 31, 2018, the Company performed its impairment test in accordance with its policy as described in note 2. Based on the results of the tests, the Company has recognized an impairment of $1,536,771 (2017 - $nil) in its intangible assets at December 31, 2018. The calculation of value in use was based on the same key assumptions utilized in the impairment analysis per note 8.

10. Income taxes

(a) Components of income tax expense are:

Years ended December 31,	**2018**	2017
Current tax recovery	**$ -**	$ (438,983)
Changes in estimates related to prior years	**539**	(480,964)
Current tax (recovery) expense	**539**	(919,947)
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(2,719,168)**	(114,437)
Change in tax rates and rate differences	**-**	239,076
Change in unrecognized temporary differences	**962,545**	(13)
Changes in estimates related to prior years	**-**	318,940
	(1,756,623)	443,566
Income tax recovery from continuing operations	**$ (1,756,084)**	$ (476,381)

Tax expense on continuing operations excludes the tax income from the discontinued operations of $299,472 (2017 - tax expense of $302,203) and the tax expense on the gain on sale of discontinued operations of $1,054,011 (2017 - tax recovery of $14,189). Both of these have been included in loss from discontinued operations, net of tax (see Note 3). The overall net deferred tax expense related to discontinued operations for the year ended December 31, 2018 was $1,054,011 (2017 - tax recovery of $302,203). These amounts are included in the income from discontinued operations, net of tax (see Note 3).

The $387,854 adjustment from the adoption of IFRS 9 is net of deferred taxes of $143,400 (total adjustment of $531,254 before tax) and been included in the adjustment in the consolidated statement of changes in equity.

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	2018	2017
Loss before tax from continuing operations	**$ (10,122,253)**	$ (2,806,642)
Statutory income tax rate	**27.00 %**	27.00 %
Expected income tax recovery	**(2,733,008)**	(757,793)
Non-taxable items	**14,172**	30,124
Change in unrecognized temporary differences	**962,545**	(13)
Change in tax rates and rate differences	**-**	239,076
Other	**(332)**	174,250
Changes in estimates related to prior years	**539**	(162,025)
Income tax recovery	**$ (1,756,084)**	$ (476,381)

(b) Recognized deferred tax assets and liabilities

	2018	2017
Deferred tax assets are attributable to the following:		
Intangibles	**$ 1,027,360**	$ 1,043,757
Loan fair value adjustment	**21,484**	-
Finance fees	**43,376**	76,024
Finance lease obligation	**165,246**	155,084
Share issue costs	**48,584**	259,693
Investment tax credits	**39,996**	39,996
Donation carryforwards	**-**	203
Non-capital losses	**8,513,272**	7,998,438
Deferred tax assets	**9,859,318**	9,573,195
Offset by deferred tax liabilities below	**(6,030,611)**	(5,889,422)
Net deferred tax assets	**$ 3,828,707**	$ 3,683,773
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	**$ (9,498,068)**	$ (9,694,647)
Investment tax credits	**-**	(10,799)
Intangibles	**-**	(495,789)
Unbilled revenue	**(361,250)**	(517,444)
Deferred tax liabilities	**(9,859,318)**	(10,718,679)
Offset by deferred tax assets above	**6,030,611**	5,889,422
Net deferred tax liabilities	**$ (3,828,707)**	$ (4,829,257)
Net deferred tax asset (liability)	**$ -**	$ (1,145,484)

(c) Recognized deferred tax assets and liabilities

The non-capital loss carryforwards expire between 2028 and 2038. Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company and its subsidiaries can utilize the benefits.

	2018	2017
Deductible temporary differences	**$ 1,197,553**	$ 1,197,553
Loss carryforward	**1,226,452**	12,000
Total items for which no deferred tax asset has been recognized	**$ 2,424,005**	$ 1,209,553

11. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

Years ended December 31,	2018	2017
Current portion of loans and borrowings		
Current portion of finance lease liabilities	**$ 315,778**	$ 310,534
Current portion of mortgage facilities	**92,097**	88,418
Total current portion of loans and borrowings	**407,875**	398,952
Non-current portion of loans and borrowings		
Bank loan facility	**7,186,998**	20,424,199
Finance lease liabilities	**296,244**	263,849
Mortgage facilities	**954,834**	1,046,931
Total non-current portion loans and borrowings	**8,438,076**	21,734,979
Total loans and borrowings	**$ 8,845,951**	$ 22,133,931

(a) Bank loan facility

The Company has drawn $7,310,668 as at December 31, 2018 on a bank loan facility used to fund day to day operations of the Company's subsidiaries. Interest is charged on a monthly basis based on the average balance in a month. The carrying value of the debt is less transaction costs of $203,240 plus a remaining loan modification adjustment of $79,570 at December 31, 2018, (2017 - $20,620,301 less transaction costs of $196,102) and the effective interest rate was 6.16% (2017 – 5.69%). The facility is secured by a first charge on all the Company's assets except those secured with other lenders as disclosed below.

Effective December 28, 2018, the Company amended the terms of the covenants to its bank loan facility. The covenants on the loan were amended to remove a fixed charge coverage ratio and senior leverage ratio requirements in favour of a minimum EBITDA for specified periods. For the fiscal quarter ending December 31, 2018, the minimum EBITDA required is $569,080. For the fiscal quarter ending March 31, 2019, the minimum EBITDA required is $1,206,507. All other terms and conditions of the facility remain unchanged.

On March 22, 2018, the Company divested substantially all of the assets of CTHA which resulted in a modification in future cash flows of the bank loan facility. As a result, the Company decreased the loan modification adjustment by $373,888 through the statement of loss and comprehensive loss as at the time of the sale.

Overall, the Company decreased the loan modification adjustment by $451,684 recognized through the statement of loss and comprehensive loss during the year ended December 31, 2018 (note 11(d)).

Effective June 30, 2017, the Company amended the bank loan facility. Beginning June 30, 2017, the amortization rate applied to capital assets for the purposes of covenant calculations was increased from 36 months to 60 months. All other terms and conditions of the facility remain unchanged.

(b) Finance lease liabilities

The Company has outstanding lease liabilities on various equipment of $612,022 as at December 31, 2018 (2017 - $574,383). The leases bear interest from 2.99% - 11.84%, have cumulative monthly payments of $29,437 (2017 - $53,154) and mature at various times over the next 1 - 5 years. The leases are secured by specific equipment with a net book value of $968,647 (2017 - $1,821,999) of which $506,375 (2017 - $97,053) pertains to light automotive equipment and $462,272 (2017 - $1,724,946) pertains to heavy automotive, construction and portable rental equipment.

	Totals	**Due within one year**	**Two-five years**	**More than five years**
Present value of minimum lease payments	$612,022	$315,778	$296,244	$ -
Interest	39,580	27,929	11,651	-
Future minimum lease payments	$651,602	$343,707	$307,895	$ -

(c) Mortgage facility

In connection with the acquisition of the property described in note 7, the Company obtained a demand mortgage facility in the amount of $1,500,000. The loan is repayable over 180 months and bears interest at prime plus 1% with monthly blended payments of $11,095. The mortgage is secured by a promissory note, first charge on the property and corporate guarantees. The outstanding balance at December 31, 2018 was $1,046,931 (2017 - $1,135,349). The facility is secured by land with a carrying value of $3,725,000 (2017 - $3,725,000). The lender has waived the demand provision for the next 365 days after year end provided there are no events of default.

(d) Finance expense

Interest expense was incurred during the year from the following sources:

	December 31, 2018	December 31, 2017
Interest on long term debt	**$ 784,011**	$ 935,764
Revision of future cash flows from sale of CTHA	**(373,888)**	-
Amortization of debt modification adjustment	**(77,796)**	-
Amortization of prepaid transaction costs	**104,930**	299,225
	$ 437,257	$ 1,234,989

Revisions due to contract modifications are recorded through finance expense as per the Company's accounting policy.

2018 was the first year of the application of IFRS 9 and as such the initial adjustment was made through opening deficit of $531,254.

12. Share capital

Authorized:

Unlimited Common shares
Unlimited Preferred shares, issuable in series, terms to be set at issuance

Normal course issuer bid

During the fiscal year ended December 31, 2018, the Company repurchased and cancelled a total of 370,500 shares valued at $170,901. The shares were purchased in the open market in accordance with the normal course issuer bid approved by the TSX. The bid commenced August 21, 2018, and will terminate on August 20, 2019, or such earlier time as the bid is completed or terminated at the option of the Company.

13. Share-based payments

(a) Stock option program (equity-settled)

The Company has a stock option plan to purchase common shares over a period ranging from two to five years from the date the option is granted at prices approximating market prices on the day prior to the date of grant.

Outstanding stock options December 31, 2018	**Number**	**Weighted average exercise price**	**Weighted average remaining contractual life (months)**
Stock options, beginning of year	4,835,000	$ 0.34	18
Stock options, December 31, 2018	**4,835,000**	**$ 0.34**	**6**
Exercisable stock options, December 31, 2018	**4,835,000**	**$ 0.34**	**6**

Outstanding stock options December 31, 2017	Number	Weighted average exercise price	Weighted average remaining contractual life (months)
Stock options, beginning of year	4,835,000	$ 0.34	30
Stock options, end of year	4,835,000	$ 0.34	18
Exercisable stock options, December 31, 2017	4,835,000	$ 0.34	18

(b) Share purchase warrants

	2018			2017		
	Number	**Weighted average exercise price**	**Value**	Number	Weighted average exercise price	Value
Warrants outstanding, beginning of year	6,183,500	$ 0.50	$ 701,210	7,021,768	$ 0.77	$ 1,448,381
Agent warrants expired	-	$ -	-	(838,268)	$ 2.73	(975,960)
Extension of private placement warrants	-	$ -	-	-	$ -	228,789
Private placement warrants expired	(6,183,500)	$ 0.50	(701,210)	-	$ -	-
Warrants outstanding, end of year	**-**	**$ -**	**$ -**	6,183,500	$ 0.50	$ 701,210

On October 1, 2018, the remaining 6,183,500 warrants expired unexercised.

On June 15, 2017, the Company extended the expiry date of 6,183,500 warrants originally issued on October 2, 2015. The warrants were extended an additional 12 months. The Black-Scholes Option Pricing model was used to determine the fair value immediately prior to and immediately subsequent to the extension. This resulted in a change in value of $228,789 which is reflected on the Statement of Changes in Equity. The inputs were as follows:

Immediately prior to extension	
Share price	$0.31
Exercise price	$0.50
Expected term	3 months
Risk-free interest	0.9%
Expected dividends	nil
Volatility	63%

Immediately after extension	
Share price	$0.31
Exercise price	$0.50
Expected term	15 months
Risk-free interest	0.9%
Expected dividends	nil
Volatility	63%

14. (Loss) earnings per share

The (loss) earnings available to common shareholders and weighted average number of common shares outstanding for comparative basic and diluted (loss) earnings per share are:

	2018	2017 (restated-note 3)
Weighted average common shares outstanding - basic	**55,259,974**	55,641,747
Net loss from continuing operations	**$(8,366,169)**	$(2,330,261)
Basic and diluted loss per share from continuing operations	**$(0.15)**	$(0.04)
Net income from discontinued operations	**2,553,666**	1,394,220
Basic and diluted earnings per share from discontinued operations	**$ 0.04**	$ 0.02
Net loss and comprehensive loss	**(5,812,503)**	(936,041)
Basic and diluted loss per share from comprehensive loss	**$(0.11)**	$(0.02)

15. Related party transactions

The Company has entered into various transactions in the normal course of business with corporations controlled by officers and directors of the Company. These transactions were recorded at the exchange amount established and agreed to by the parties. Management and consulting fees were paid to a companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director, as compensation for serving their roles as officers for the Company. Equipment rental fees were paid to a company controlled by Leonard Jaroszuk, President and Chief Executive Officer, and Desmond O'Kell, Senior Vice President and Director, to rent equipment required for operating activities.

As part of managing the Company's fleet of equipment, during the third quarter of 2018, the Company purchased $407,200 of equipment to a corporation controlled by two officers and two directors of the Company. In the fourth quarter of 2018, the Company purchased $344,638 of equipment from the same related corporation. In the fourth quarter of 2017, the Company sold $407,200 of equipment to the same related corporation.

Years ended December 31,		**2018**		2017
Management and consulting fees	**$**	**1,040,909**	$	584,192
Equipment rental		**125,000**		150,000
	$	**1,165,909**	$	734,192
Proceeds on equipment sold, included in trade and other receivables	**$**	**-**	$	407,200
Purchase of equipment	**$**	**751,838**	$	-

In addition, in the first quarter, a success fee of $600,000, associated with the CTHA transaction as described in note 3, was paid to companies controlled by Leonard Jaroszuk, President and Chief Executive Officer, Desmond O'Kell, Senior Vice President and Director, and Warren Cabral, Chief Financial Officer. These transactions were recorded at the exchange amount established and agreed to by the parties.

Key management compensation

Years ended December 31,	**2018**	2017
Salaries and directors' fees	**$594,366**	$479,899

Key management compensation includes payments made to individual officers and directors for serving the Company in their respective roles.

16. Supplemental cash flow information

Years ended December 31,		**2018**		2017
(a) Changes in non-cash working capital:				
Trade and other receivables	**$**	**5,969,744**	$	(2,476,902)
Income taxes recoverable		**266,137**		-
Unbilled revenue		**(204,450)**		168,108
Inventories		**1,060,805**		247,276
Deposits and prepaid expenses		**95,687**		68,976
Trade and other payables		**(693,545)**		(363,778)
Income taxes payable		**-**		108,808
	$	**6,494,378**	$	(2,247,512)
(b) Other non-cash transactions:				
Equipment purchased under finance leases	**$**	**533,779**	$	27,417
Amortization of prepaid borrowing costs	**$**	**104,930**	$	162,657

(c) Cash taxes paid

Cash taxes received for the year ended December 31, 2018, was $265,598 (2017 - $424,687).